



CALIFORNIA HIGH-SPEED RAIL AUTHORITY

## MEMORANDUM

**To:** Chairperson and Authority Members      **Date:** April 30, 2009  
**From:** Mehdi Morshed, Executive Director  
**Subject:** Agenda Item 8– Federal Stimulus

### Discussion:

This memorandum proposes an approach and plan of action to enable the California High-Speed Rail Authority (Authority) to develop a well-supported and compelling application for American Recovery and Reinvestment Act (ARRA) high-speed and intercity rail funds by the first projected August 1, 2009 submittal deadline.

The proposed approach assumes a concentrated Authority effort coordinated with the Department of Transportation (Caltrans) to maximize this near-term ARRA funding opportunity for the State while at the same time accelerating overall HSRA development work. A coordinated, comprehensive application initiative, in cooperation with and through Caltrans as directed by the Governor, is essential to achieving the highest level of federal funding available to the Authority under ARRA.

### **I. Background**

The USDOT's Strategic Vision for High-Speed Rail (the Strategic Plan) issued on April 16, 2009 builds on ARRA and provides insight into the Administration's long-term vision for high-speed rail. The Strategic Plan proposes three funding tracks:

- **Track 1 - Projects:** Provide grants to complete individual projects that are “ready to go” with preliminary engineering and environmental work completed and demonstrate “independent utility.”
- **Track 2 - Corridor programs:** Enter into cooperative agreements to develop entire phases or geographic sections of corridor programs that have completed corridor plans and environmental documentation, and have a prioritized list of projects to meet the corridor objectives; this approach would involve additional federal oversight and support.
- **Track 3 - Planning:** Enter into cooperative agreements for planning activities using non-ARRA appropriations, in order to create the corridor program and project pipeline needed to fully develop a high-speed rail network.

The Strategic Plan outlines an “Implementation Timeline” (see Appendix) for ARRA funds with applications for Tracks 1 and 3 occurring on or about August 1, 2009 (or 45 days after the June 17<sup>th</sup> “Interim Guidance” required issuance date). Track 2 applications may be due approximately October 1, 2009 or earlier.

FRA’s June 17 Interim Guidance is expected also to detail plans for the allocation of \$90 million for “Capital Assistance to States for Intercity Passenger Rail Service” included in the FY 2009 Omnibus Appropriations Act. Up to 10 percent of these funds (\$9 million) may be devoted to planning.

The Strategic Plan anticipates building on the ARRA and FY 2009 funds with additional federal appropriations, including the \$1 bn for high-speed rail requested by the Administration in its FY 2010 submission.

## **II. Authority Plan of Action**

Given the direction of the Governor, Caltrans will be collecting throughout the State all the applications for stimulus money including high-speed rail to form one unified approach to be submitted by the State to the Federal Government. In that regard, we believe it will maximize the Authority’s prospects for securing ARRA FY 2009 funds in the first round of applications. We will provide details to qualify and submit for all the planning, engineering and environmental costs for work on the full 800 route miles of the high-speed rail system in California. In preparation for a list of the high-speed rail projects to be included in the State application for capital expenditures, staff recommends that the Authority first identify segments to be advanced for ARRA funding. For a segment to be included, the staff recommends the following:

- Must be part of the Phase One Anaheim to San Francisco as directed by Prop 1A and the Board and included in the 2008 Business Plan.
- Must meet the obligation deadline of September 2012.
- Must meet the Federal and State statutes and regulations, in particular, those relating to the EIR process.
- Designated corridors and projects should have independent utility.
- Project or projects selected by the Authority for inclusion in this list, does not prejudice the outcome of the project level EIR/EIS process, thus compromising the EIR/EIS document.

Using the above criteria the following three sections qualify as the only sections that we believe can meet the requirements for capital expenditures for this stimulus package:

1. Los Angeles to Anaheim – In this corridor, will have completed the project level environmental document, and qualified and selected design build teams to begin construction of the whole section by the 2012 deadline.
2. San Francisco to San Jose – In this corridor, we do not anticipate completing the environmental process in time to select the design build teams to complete the whole section. We do believe, however, that there are specific projects within that corridor that will ultimately support the high-speed rail system. The staff is working with MTC and

other entities and will bring forward those projects for inclusion upon completion of the process.

3. Merced to Bakersfield – Again, we do not anticipate completion of the project level EIR/EIS documents and selection of contractors by the Federal deadline. We do believe that we will be able to itemize, select and negotiate right-of-way including the maintenance facility under the programmatic document without jeopardizing the EIR/EIS project level process.

We will also be addressing outside of the three corridors outlined above, any other “shovel ready” projects that advance the Authority’s high-speed rail plan that meet the Federal criteria and that of the Authority.

### **III. Implementing Initiatives**

Recommended that the Authority proposes the following plan of action and schedule to meet the expected ARRA funding application deadlines:

#### **Track 1 – Projects:**

In preparation for the August 1<sup>st</sup> round 1 funding deadline:

- June Board consideration:
  - A list of “shovel ready” projects (within the three primary corridors as outlined in III as well as other projects), compiled by Authority staff. Draft internal selection criteria for Board and staff use in finalizing and approving the proposed projects to be included in the Authority’s ARRA application due August 1.
- July Board consideration:
  - Based on evaluation of the FRA’s Interim Guidance issued by June 17<sup>th</sup> together with the Authority’s approved internal selection criteria, review and action on staff-recommended proposed projects for inclusion in the Authority’s ARRA application due August 1.

#### **Track 2 - Corridors:**

In preparation for an anticipated October 1 ARRA submission deadline or earlier:

- June Board consideration:
  - Develop timeline for implementation.
- July Board consideration:
  - Further develop Corridor and project approach, informed by FRA June 17th notice.
- September Board consideration:
  - Review and action on staff-recommended Corridor development application approach for submission due October 1.

#### **Track 3 – Planning with non-ARRA funds**

Track 3 of the Strategic Plan anticipates the use of non-ARRA funds for planning. FRA's June 17 Interim Guidance is expected to also include a "Notice of Funding Availability" for up to \$9 million in planning funds from FY 2009 appropriations. Additional planning funds may be available in subsequent fiscal years.

- July Board consideration:
  - Staff will present a planning funding request for the Board's review and action, to be included in the Authority's August 1 application to FRA.

Following the FRA's initial round of applications the Authority will develop a second-phase approach for subsequent funds requests.

#### **IV. Other Items for Consideration**

In support of the application approach identified above, the Authority should also:

- If necessary, establish a Memorandum of Understanding with Caltrans and other entities addressing the ARRA funding application process, including how Caltrans will represent the Authority's perspective in a proposed unified application. The MOU should also address responsibilities for application pursuit, funding administration, and assurance to USDOT of project implementation.
- Progress initiatives central to the Authority's development program that will also enhance ARRA application prospects. Examples include accelerated initiative to bring an equipment/operator on board, and public evaluation of alternative P3 and project delivery scenarios.

#### **Recommendation:**

Authority staff recommends the approval of the draft approach and plan of action to meet the ARRA application deadline of August 1, 2009.